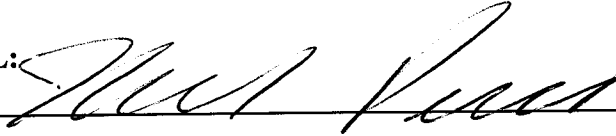


# REPORT

**DATE:** July 6, 2006  
**TO:** Regional Council  
Administration Committee  
**FROM:** Debbie Dillon, Human Resources Manager  
**SUBJECT:** Establish Cafeteria Plan

**EXECUTIVE DIRECTOR'S APPROVAL:**



## RECOMMENDED ACTION:

The Personnel Committee recommends establishing a cafeteria plan for SCAG employees and increasing the monthly SCAG contribution towards each active employee's benefits by \$170.00.

## SUMMARY:

The fiscal year 2006/2007 SCAG budget includes an increase in the fringe benefit budget to allow for improved employee benefits of up to \$170.00 per month per employee or an annual total of \$259,080.

SCAG staff completed a salary and benefits survey in January 2006 which indicates that SCAG is below the 75<sup>th</sup> percentile for total compensation. The last increase in the contribution towards employee benefits was in July of 2001 as a result of the 2001 Classification/Compensation study adopted by the Regional Council.

A summary of the results are represented below:

- 12 agencies surveyed for medical, dental, vision insurance contributions
  - Highest Contribution \$1621
  - Lowest Contribution \$ 630 (SCAG)
  - Average Contribution \$1152
  - Median Contribution \$1059
  - 75<sup>th</sup> percentile Contribution \$1342

## BACKGROUND:

In order to increase SCAG's contribution towards employee benefits without requiring an increase to the SCAG retiree medical contribution at this time, CalPERS requires that SCAG establish a cafeteria plan. The cafeteria plan will provide \$800 a month towards each employee's benefits plan and earmark \$550.00 towards medical, which is the current SCAG employee and retiree contribution towards medical insurance.

Each employee will have the option of selecting enrollment in medical, dental, and vision coverage based on their needs. If an employee does not spend the full \$800.00, they may divert the remainder as an employer match in the 457 Deferred Compensation Plan, purchase additional life insurance, or receive the remainder as taxable compensation. The taxable compensation does not count as base salary and is not part of CalPERS covered compensation for retirement purposes. Proof of other enrollment for the employee and any eligible dependents will be required for the employee to opt-out of medical or receive the remainder as cash. SCAG's current program allows for up to \$550.00 to be paid out as cash with proof of other medical

# REPORT

enrollment. This approach provides each employee with the same level of benefit regardless of family or marital status.

The employee medical benefit and the retiree medical benefit are currently set at the same level of \$550.00 per month. SCAG staff does not recommend increasing the retiree medical contribution at this time until the results of an actuarial study on the impact of GASB 45 is completed. GASB 45 is a new requirement for all public agencies that will affect SCAG in fiscal year 2007/2008. It dictates how retiree medical benefits are accounted for on SCAG's financial statements. The study is expected to be completed by September 2006 at which time SCAG will have a better understanding of the GASB 45 implementation requirements. At that time, SCAG may consider changing the retiree medical benefit.

Additionally, information below compares SCAG's current retiree medical benefit to its survey agencies:

Highest Contribution	\$1058 (requires 20+ years of service with agency)
Lowest Contribution	\$ 0
Average Contribution	\$ 544
Median Contribution	\$ 466
75 <sup>th</sup> percentile Contribution	\$ 919
SCAG Contribution	\$ 550

There are 64 SCAG retirees receiving up to \$550 per month towards the cost of retiree medical insurance. The following represents the premium breakdown of the group:

Highest Premium	\$1146
Lowest Premium	\$ 219
Average Premium	\$ 543
Median Premium	\$ 569

30/64 retirees have CalPERS medical premiums that are less than the maximum \$550.00 contribution per month. SCAG provides \$550.00 for the retiree's lifetime and if they die before their spouse, the spouse's lifetime, if eligible for a monthly CalPERS retirement benefit.

## **FISCAL IMPACT:**

No fiscal impact. Full funding is available in the Regional Council adopted 2006/2007 budget.